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Executive Summary Report

Appraisal Date 1/1/06 - 2006 Assessment Roll

Specialty Name: Fast Food and Institutional Restaurants

Previous Physical Inspection: Last year 145 parcels were inspected in neighborhood 20.

Current Physical Inspection: This year 73 parcels were inspected in neighborhood 10.

Income tables were used as an aid for revaluation. Neighborhood 10 is North Seattle, 20 is South Seattle, 30 is the Eastside, 40 is rural King County and 50 is institutional restaurants countywide. Tables are shown in a section of this report.

Sales - Improved Summary:

Number of Sales: 7

Sales – Ratio Study Summary

See attached ratio summary for 2006 values compared to current sales. The COV is 3.11%, the COD is 2.35%, the median ratio is 96.8% and the weighted mean ratio is 98.4%. These are acceptable indicators of uniformity and value level.

Sales used in Analysis: All improved sales, which were verified as good, were included in the analysis.

Population - Improved Parcel Summary Data

2005 values: Land \$199,566,100 Imps \$96,501,000 Total \$296,067,100

2006 values: Land \$230,405,420 Imps \$97,139,480 Total \$327,544,900

Total change in value of land and improvements: +10.63%.

Number of improved Parcels in the Population: 320

Conclusion and Recommendation:

Since the values recommended in this report achieve assessment level and equity in compliance with IAAO standards, we recommend posting them for the 2006 Assessment Roll.

Analysis Process

The Area

The area includes the subject specialty in the entirety of King County.

Highest and Best Use Analysis

In most cases, the fast food restaurant sites were improved to their highest and most profitable use. In cases where the subjects were located in high-density urban settings, market rent tended to obsolesce the improvements to the land.

Special Assumptions, Departures and Limiting Conditions

The income and market approaches were considered to be most appropriate for this specialty. The market sales, although few, were considered. Most of the available sales were either allocations of portfolios, sale leasebacks or sales of corporate stores to tenants already in place. Very few sales were absolutely clean of business considerations and therefore did not meet the standard of fair market transactions of real property.

Due to the highly competitive nature of this specialty, information of a confidential nature is very difficult to obtain. The appraiser gathered as many market rents as possible of the real estate solely and extrapolated those rents into total values. Total value is expressed through net income capitalization. This process yields an allocation of improvement value and a land value. By using market rents of anywhere from \$20/square foot to \$40/square foot (net), the appraiser is confident that he has equalized the entire specialty on a basis of location, quality, economy of scale and improvement condition.

The cost approach was considered for this revaluation to be the least reliable indicator of value. Cost estimates are calculated in the Real Property Records. The cost approach was most heavily considered in valuation of the newest restaurants.

The appraiser relied primarily on the income approach in the appraisal of the subject properties. Capitalization of market rent was used and is considered to be the most appropriate approach to equalization. In most cases, a 5% vacancy and credit loss and 10% expense ratio was applied. Most of the population's net operating income streams were capitalized at 8%. Assessment level for the population has changed little in previous years. After reading various reports and consideration of a seminar on market trends presented by Caldwell-Banker and National Sales Comparable Statistics provided by Costar Advisor, the determination was made to adjust the overall rate from a previous level of 8.5%. Income tables were applied to the entire population in a mass appraisal. Those tables are found at the end of this report.

Under no circumstances were business enterprise or personal or personal property values included in the Assessor's appraisals. Every effort was made, through the use of market rent, to eliminate any possibility of value estimates that included anything but the value of the real estate.

The following Departmental guidelines were considered and adhered to:

- ✚ Sales from 01/2003 to 01/2006 at a minimum were considered in all analyses.
- ✚ No market trends were applied to sales prices.
- ✚ This report intends to meet the Appraisal Practice, Standard 6. requirements of the Standards of Professional Uniformity.

Identification of the Area

Name or Designation: Fast Food and Institutional Restaurants.

Boundaries: King County

Maps:

Assessor's maps as found on the 7th floor of the King County Administration Building.

Area Description:

King County has a total population of 1,685,600 (2000 Census). The entire Puget Sound region (Everett, Bellevue, Tacoma, Seattle and suburbs) accounts for a little more than half of the total population of Washington.

King County has experienced an unparalleled growth, in recent years, of population, building and economic prosperity. Housing has become scarce and commands premium prices. Aircraft manufacturing, port traffic, computer software and hardware, service industries and retail enterprises all contribute to the diversified economic strength of the region. The area is home to many corporations with national and international impact. Microsoft, Paccar, Starbuck's and Nordstrom, among others, all call the Puget Sound region home. Washington State's seafood industry make it number one in the nation's fishery export, although marine life resources are dwindling. The Seattle-Tacoma area is a leading player in trade with the Pacific Rim. Strong tourism is fueled by the region's natural beauty, cultural sophistication and availability of professional and collegiate sports.

The fast food and institutional restaurant business is highly competitive. Overall, Burger King, Jack in the Box, Wendy's and McDonald's seem to have stable market shares. As noted last year, some sales involved 20 year guaranteed income streams. At \$500 to \$650 per square foot of net rentable area, these sales are viewed as financing tools that contain elements of business value and dismissed as being non-arm's length transactions. These sales cannot be even remotely reconciled with any reasonable cost approach. Any changes in value would be due to change in land value, adjustment for equalization purposes and a lowering of the average over-all capitalization rate to 8%. This rate is reflected in the retail commercial market and in sales of fast food restaurant income streams.

Preliminary Ratio Analysis

A Preliminary Ratio Study was done prior to the application of the recommended 2006 values. The study included sales of improved parcels and showed a COV of 9.94%. The preliminary ratio study shows a weighted mean of 86.6%.

Scope of Data

Improved Parcel Total Value Data:

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales were verified if possible by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is verified for all sales if possible. Due to time constraints, interior inspections were limited. Sales are listed in the "Sales Used" and "Sales Removed" sections of this report. Additional information resides in the Assessor's procedure manual located in the Public Information area of the King County Administration Building.

Land Value

Land Sales, Analysis, Conclusions

All land was appraised by the geographic appraisers.

Improved Parcel Total Values:

Sales comparison approach model description

The few sales that were found to be good were used as market indicators of the upper and lower limits of value in the marketplace. It is important to note that the sales sample is considered to be insufficient to make reasonable statistical assumptions.

Cost approach model description

In those areas where a cost approach was performed, the Marshall & Swift Commercial Estimator was used. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area.

Cost calibration

Each appraiser valuing new construction can individually calibrate Marshall-Swift valuations to specific buildings in our area by accessing the computerized valuation model supplied by Marshall & Swift.

Income capitalization approach model description

Income was derived from surveys and indications from sales verification sheets as provided by COMPS.

Income approach calibration

The models were calibrated after setting base rents by using adjustments based on size, effective age, construction class and quality as recorded in the Assessor's records.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

All parcels were individually reviewed by the area appraisers for correctness of the model application before final value selection. Each appraiser can adjust any or all of the factors used to establish value by the model. The market rents as established by the income model were used as a guide in establishing the market rental rates used. The market rental rates applied varies somewhat but falls within an acceptable range of variation from the established guideline. Final value selects were reviewed by the Senior Appraisers before posting.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust of particular characteristics and conditions as they occur in the valuation area.

The standard statistical measures of valuation performance are all within IAAO guidelines and are presented both in the Executive Summary and in the 2005 and 2006 Ratio Analysis charts included in this report.

Application of these recommended values for the 2006 assessment year results in a total change from the 2005 assessments of +10.63%. This increase is due to increasing land values, transfer of new parcels from the geographic appraisal areas to this specialty and ongoing appreciation and equalization of the subject properties.

2005 Improved Parcel Ratio Analysis

See attachments in the ratio analysis section.

2006 Improved Parcel Ratio Analysis

See attachments in the ratio analysis section.

USPAP Compliance

Client and Intended Use of the Appraisal:

This summary mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a summary mass appraisal report as stated in USPAP SR 6-7. To fully understand this report the reader may need to refer to the Assessor's Property Record Cards, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.

The purpose of this report is to explain and document the methods, data and analysis used in revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The revaluation is subject to their periodic review.

Definition and date of value estimate:

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65) . . . or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Highest and Best Use

WAC 458-12-330 **REAL PROPERTY VALUATION—HIGHEST AND BEST USE.**

All property, unless otherwise provided by statute, shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Uses which are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best

use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)

Date of Value Estimate

All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property rights appraised:

Fee Simple

The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Special assumptions and limiting conditions:

That no opinion as to title is rendered. Data on ownership and the legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions unless shown on the maps or property record cards. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

That no engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.

That rental areas herein discussed have been calculated in accord with standards developed by the American Standards Association as included in Real Estate Appraisal Terminology.

That the projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.

That no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.

That the appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in our analysis to any potential diminution in value should such hazardous materials be found. We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.

That no opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

That maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.

Exterior inspections were made of all properties however, due to lack of access few received interior inspections.

The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.

We appraise fee simple interest in every property. Unless shown on the Assessor's parcel maps, we do not consider easements as adversely affecting property value.

We have attempted to segregate personal property from the real estate in our appraisals.

We have not appraised movable equipment or fixtures as part of the real estate. We have appraised identifiable permanently fixed equipment with the real estate in accordance with RCW 84.04.090 and WAC 458-12-010.

We have considered the effect of value of those anticipated public and private improvements of which we have common knowledge. We can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.

The appraisers have no personal interest or bias toward any properties that they appraise.

Departure Provisions:

Which if any USPAP Standards Rules were departed from or exempted by the Jurisdictional Exception

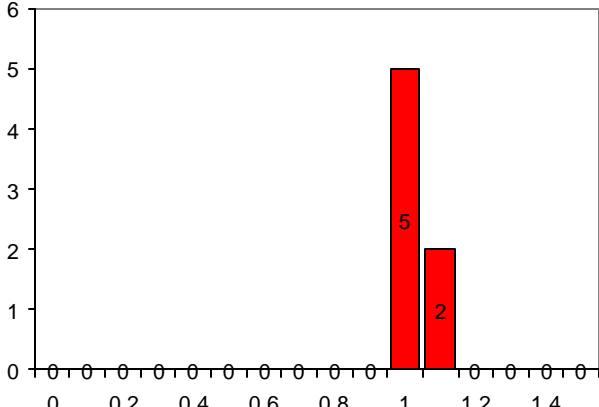
SR 6-2 (g)

The assessor has no access to title reports and other documents. Because of budget limitations we did not research such items as easements, restrictions , encumbrances, leases, reservations , covenants, contracts, declarations and special assessments. The mass appraisal must be completed in the time limits as indicated in the Revaluation Plan and as budgeted.

**Area 413-000 – Fast Food Restaurants
2005 Assessment Year**

Quadrant/Crew:	Lien Date:	Date:		Sales Dates:
North Crew	1/1/2005	7/10/2006		1/1/03 - 1/1/06
Area	Appr ID:	Prop Type:		Trend used?: Y / N
413	MJOL	Improvement		N
SAMPLE STATISTICS				
Sample size (n)	7	<div style="text-align: center;"> Ratio Frequency </div>		
Mean Assessed Value	697,000			
Mean Sales Price	804,500			
Standard Deviation AV	236,292			
Standard Deviation SP	261,705			
ASSESSMENT LEVEL				
Arithmetic mean ratio	0.868	<div style="border: 1px solid black; padding: 5px;"> <p>These figures reflect 2005 assessment level compared to market sales.</p> </div>		
Median Ratio	0.840			
Weighted Mean Ratio	0.866			
UNIFORMITY				
Lowest ratio	0.7517			
Highest ratio:	1.0194			
Coeffient of Dispersion	7.42%			
Standard Deviation	0.0863			
Coefficient of Variation	9.94%			
Price-related Differential	1.00			
RELIABILITY				
95% Confidence: Median				
Lower limit	0.752			
Upper limit	1.019			
95% Confidence: Mean				
Lower limit	0.804			
Upper limit	0.931			
SAMPLE SIZE EVALUATION				
N (population size)	320			
B (acceptable error - in decimal)	0.05			
S (estimated from this sample)	0.0863			
Recommended minimum:	12			
Actual sample size:	7			
Conclusion:				
NORMALITY				
Binomial Test				
# ratios below mean:	4			
# ratios above mean:	3			
z:	0			
Conclusion:	Normal*			
*i.e., no evidence of non-normality				

**Area 413-000 – Fast Food Restaurants
2006 Assessment Year**

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:	
North Crew	1/1/2006	6/28/2006	1/1/03 - 01/01/06	
Area	Appr ID:	Prop Type:	Trend used?: Y / N	
413	MJOL	Improvement	N	
SAMPLE STATISTICS				
Sample size (n)	7	<div>Ratio Frequency</div> 		
Mean Assessed Value	791,700			
Mean Sales Price	804,500			
Standard Deviation AV	252,267			
Standard Deviation SP	261,705			
ASSESSMENT LEVEL				
Arithmetic mean ratio	0.985			
Median Ratio	0.968			
Weighted Mean Ratio	0.984			
UNIFORMITY				
Lowest ratio	0.9541			
Highest ratio:	1.0331			
Coefficient of Dispersion	2.35%			
Standard Deviation	0.0306			
Coefficient of Variation	3.11%			
Price-related Differential	1.00			
RELIABILITY				
95% Confidence: Median				
Lower limit	0.954			
Upper limit	1.033			
95% Confidence: Mean		These figures reflect 2006 assessment level compared to market sales.		
Lower limit	0.962			
Upper limit	1.007			
SAMPLE SIZE EVALUATION				
N (population size)	320			
B (acceptable error - in decimal)	0.05			
S (estimated from this sample)	0.0306			
Recommended minimum:	2			
Actual sample size:	7			
Conclusion:	OK			
NORMALITY				
Binomial Test				
# ratios below mean:	4			
# ratios above mean:	3			
z:	0			
Conclusion:	Normal*			
*i.e., no evidence of non-normality				

Improvement Sales for Area 413 with Sales Used 07/10/2006

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	010	276820	0165	1,455	2087466	\$421,000	10/05/04	\$289.35	DOMINO'S PIZZA	NC1-30	1	Y	
413	010	330070	0955	1,876	2148581	\$725,000	07/30/05	\$386.46	PIZZA HUT DELIVERY CTR	NC3-40	1	Y	
413	020	030150	0290	3,330	2047197	\$1,110,000	06/11/04	\$333.33	BURGER KING RESTAURANT	M1	1	Y	
413	020	250060	0590	3,078	2111541	\$789,696	02/25/05	\$256.56	BURGER KING	GC	1	Y	
413	020	433100	0326	4,282	2163651	\$1,135,000	10/19/05	\$265.06	DAIRY QUEEN	CC-1	1	Y	
413	020	630340	0986	1,576	2059786	\$580,000	07/29/04	\$368.02	TACO BELL	CB	1	Y	
413	050	766620	4275	3,359	2109828	\$870,561	03/17/05	\$259.17	DENNY'S RESTAURANT	IG1 U/8	1	Y	